

**MCBRIDE SHOPA & COMPANY, P.A.**

**COLONIAL SCHOOL DISTRICT**

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2007**

**FIELDWORK END DATE: APRIL 16, 2008**

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

George H. Meney, Ed. D.  
Superintendent  
Colonial School District  
318 E. Basin Road  
New Castle, DE 19720

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
Townsend Building, Suite 2  
401 Federal Street  
Dover, DE 19901

We have performed the procedures enumerated below, which were agreed to by Colonial School District, the Office of Auditor of Accounts, and the State of Delaware Department of Education. The procedures were performed solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual. Colonial School District's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards* (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

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2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Our procedures disclosed instances of noncompliance that resulted in Finding #07-01, and related recommendation. See *Appendix A*.

3. Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

Our procedures disclosed instances of noncompliance that resulted in Findings #07-02, #07-03, and #07-04, and related recommendations. See *Appendix A*.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the CFY. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

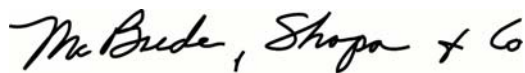
5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2007.

See *Appendix C*.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Colonial School District management and Board Members and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

Sincerely,



Wilmington, Delaware

April 16, 2008

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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APPENDIX A

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## ***Procedure Agreed Upon #2:***

Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

## ***Finding #07-01***

During completion of the project checklists for the construction projects, we noted an apparent violation of Section 2.0, Paragraph 7.2.1 of the State of Delaware Department of Education School Construction Technical Assistance Manual, which states "Submission of a Change Order must include the following documents: Completed purchase order as applicable; local board of education minutes identifying and approving the changes; completed AIA document G701, and correspondence which gives a breakdown in materials mark-up and other expenses".

We were informed that Change Orders are not routinely discussed at the Board of Education meetings, because of the following Board of Education resolution passed on October 11, 2005:

"...enabled the district to begin implementation of this plan, the administration requested the Board's approval to: (1) hire professional consultants; (2) enter into any agreements and contracts necessary to implement projects; (3) implement project budgets including the execution of *change orders (emphasis added)*; (4) expand our construction supervisory staff where appropriate; (5) utilize local funds where appropriate; and (6) provide the Board with periodic progress reports

The effect is that the administration may execute change orders without local Board of Education approval.

## ***Recommendation:***

The School District should discuss change orders at the local board of education meetings and have change orders approved by the Board of Education.

## ***School District Response:***

The district has the authorization from the Board of Education for the Superintendent and Director of Business to approve all contracts and change orders. This has been the district's practice for numerous years and prior referendums.

## ***Procedure Agreed Upon #3:***

Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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APPENDIX A

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## ***Finding #07-02***

During our expenditure testing we noted a PV which was charged to the wrong appropriation code. PV34000016385, for \$2,393.21 was charged to appropriation code 7740 Wrangle Hill Full Day Kindergarten, for classroom chairs. The chairs were shipped to Wilmington Manor Elementary School and charged to Program 420S (Wilmington Manor ES). This amount should have been charged to an appropriation code for Wilmington Manor.

The district was under the impression that appropriation code 7740 could be used for full day kindergarten programs at Wrangle Hill and similar programs at other elementary schools. The effect is that the expenditures for Wrangle Hill are overstated.

## ***Recommendation:***

An Expenditure Correction document should be prepared to charge the correct appropriation code.

## ***School District Response:***

The district disagrees with this finding. It was recommended we recode all full day kindergarten charges to appropriation 0804. Appropriation 7740 is the local match to appropriation 0804. These funds are for the implementation of full day kindergarten and the completion of Wrangle Hill Elementary School. Anything that can be charged to 0804 is eligible to be charged to 7740. We cannot recode the full day kindergarten expenses, as the 0804 appropriation (general fund appropriation) does not have history from 07 to recode items.

## ***Finding #07-03***

The Encumbrance Accounting section of the Budget and Accounting Manual, Chapter VI, Section I, Next Fiscal Year Purchase Orders – School Districts states that “...no agreement or contract shall be entered into, nor expense incurred by any agency which will result in an obligation in excess of the appropriation made to the agency. (29 Del.C. section 6519). Since the appropriation for the next fiscal year is not effective until July 1, this prohibits the issuance of purchase orders for the next fiscal year until July 1.”

We noted, during FY 2007, that more than \$5,000,000 of capital project expenditures were charged to local appropriations. These expenditures are for 3 projects that will not receive their funding until FY 2008. These particular projects are between 70% and 75 % complete as of June 30, 2007. The Colonial School District appears to be in violation of Title 29 Delaware Code section 6519.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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APPENDIX A

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The district started the renovations of three schools before they had received their bond money from the State. Local funds are being used for capital projects.

***Recommendation:***

School District personnel should either discontinue this process, or obtain all necessary legal, budget, and Department of Education approvals if it is absolutely necessary to expend these funds before authorized to do so.

***School District Response:***

The \$5,000,000 in charges to local appropriations has been recouped and at no time was the district in jeopardy of meeting payroll or any other obligations. The district will review its practices and make adjustments as necessary. We will continue to do what is in the best interest of the district and its students. State agencies were aware of the district's utilization of local funds until bond funds were available (specifically DOE and OMB).

***Finding #07-04***

During our examination of expenditures corrections, as required by the Construction Project Checklist, for the construction of the new Wrangle Hill Elementary School, we noted that a contract with EDiS was dated March 8, 2006 and later signed. The contract states that "Actual construction shall begin no later than April 15, 2006 unless authorized by Owner. EDiS was permitted to start construction on April 4, 2006 with DNREC's and New Castle County approval. These extra (11) days are in addition to the contract." The district did not initiate a PO until June 9, 2006. EDiS created an invoice for the district on June 7, 2006 for work done thru May 25, 2006 for \$1.2 million. The Budget and Accounting Manual, Chapter VI, Section B (1) (e) states "After the fact purchase orders will not be accepted.....It is each agency's responsibility to process their documents in a timely manner, in proper sequence and in accordance with established procedures." It appears as if Colonial School District violated this section of the policy.

The district did not prepare a purchase order simultaneously with the execution of the contract with EDiS. The School District incurred an obligation to the Contractor before funds were encumbered.

***Recommendation:***

School District personnel should establish the appropriate controls to ensure that purchase orders are initiated on the same date that the contract is signed.

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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APPENDIX A

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***School District Response:***

The district will generate purchase orders at the time of the execution of contracts. There was a delay due to obtaining state approvals on the contract prior to issuing the PO. In the future the PO will be sent with the contract.



# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
New Castle Middle	2003	5,765,000	41,716	5,806,716	7,120	5,799,596	5,806,716	0
New Castle Middle	2007	3,441,600		3,441,600	8,961		8,961	3,432,639
William Penn High	2003	9,019,000	1,225,981	10,244,981	461,534	9,777,537	10,239,070	5,910
Eisenberg Elementary	2004	4,739,400	(175,000)	4,564,400	13,140	4,551,260	4,564,400	0
Colwyck Elementary	2004	4,649,600	1,325,000	5,974,600	62,966	5,911,634	5,974,600	0
McCullough Elementary	2007	4,757,300		4,757,300	185,213		185,213	4,572,087
State FDK	2006	8,683,200		8,683,200	6,199,649	2,450,422	8,650,071	33,129
Wrangle Hill	2006	945,223		945,223			0	945,223
Wrangle Hill	2007	21,336,700		21,336,700	16,283,272		16,283,272	5,053,428
Wrangle Hill FDK	2007	4,276,800		4,276,800	3,794,503		3,794,503	482,297
Wrangle Hill Land	2007	1,650,000		1,650,000	1,650,000		1,650,000	0
Wrangle Hill	2006	1,099,396		1,099,396		1,099,396	1,099,396	0
<b>Total</b>		<b>70,363,219</b>	<b>2,417,697</b>	<b>72,780,916</b>	<b>28,666,358</b>	<b>29,589,845</b>	<b>58,256,202</b>	<b>14,524,713</b>

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

<b>Capital Projects Expenditures Charged to Local Appropriations</b>								
WM Penn(Indirect Costs)					2,371,332			
Wilm Manor (Contingency)					815,019			
George Read (CSCR Rev)					1,396,168			
Architect Fees (Contingency)					546,766			
(For all three projects)								
<b>Total Charged to Local Appropriations</b>					5,129,286			
<b>Total Expenditures</b>					<b>33,795,644</b>			

Copies of Colonial School District's Agreed-upon Procedures Attestation Engagement have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
The Honorable Jennifer W. Davis, Director, Office of Management and Budget  
Ms. Trisha Neely, Director, Division of Accounting

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General  
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

Diane L. Callaway, President, Colonial Board of Education  
Sandra J. Dwyer, Vice President, Colonial Board of Education  
Bobby Benjamin, Colonial Board of Education  
Leo B. Magee, Sr., Colonial Board of Education  
Joseph T. Laws, III, Colonial Board of Education  
Richard W. Schiller, Jr., Colonial Board of Education  
George H. Meney, Ed. D, Superintendent, Colonial Board of Education  
Karen S. Thorpe, Director of Business, Colonial School District